ACCESS SERVICE
CHECK SHEET (Cont'd)

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
722	4th	760	1st	793	4th
723	4th	761	2nd	794	3rd
724	3rd	762	1st	795	1st
725	4th	763	1st	796	1st
726	3rd	764	2nd	797	3rd
727	3rd	765	2nd	797.1	2nd
728	3rd	766	1st	798	18th
729	4th	767	2nd	799	18th
730	2nd	768	1st	799.1	11th
731	1st	769	2nd	799.2	14th
732	1st	770	1st	800	3rd
733	1st	771	1st	801	3rd
734	1st	771.1	Original	801.1	3rd
735	1st	772	1st	801.2	2nd
736	1st	773	1st	802	3rd
737	1st	774	Original	803	3rd
738	1st	775	1st	803.1	2nd
739	1st	776	Original	803.2	1st
740	1st	777	1st	804	2nd
741	2nd	778	1st	805	2nd
742	3rd	779	7th	805.1	2nd
743	4th	780	7th	805.2	1st
744	2nd	781	5th	806	2nd
745	2nd	782	5th	807	2nd
746	3rd	783	1st	807.1	3rd
747	3rd	784	20th	807.2	2nd
748	2nd	785	6th	808	3rd
749	2nd	786	6th	809	4th
750	3rd	787	1st	809.1	2nd
751	3rd	788	**26th***	809.2	1st
752	3rd	789	8th	810	3rd
753	3rd	790	4th	811	3rd
754	3rd	790.1	Original	811.1	2nd
755	3rd	790.2	Original	811.2	1st
756	1st	790.3	Original	812	1st
757	2nd	790.4	Original	813	1st
758	1st	790.5	Original	814	12th
759	1st	791	3rd	815	2nd
		792	2nd		

*New or Revised Pages

6. Switched Access Service (Cont'd)

6.9 Rates and Charges

6.9.1 Local Transport

(A) Mileage Charge

	Rates Per Access Minute	
(1) Premium Ratee		
Call Miles		
0 to 5	$.008944	
6 to 10	.010329	(I)
11 to 16	.011571	
17 to 22	.012803	
23 to 30	.013806	I
over 30	.015269	(I)
(2) Transitional Rates		
Call Miles		
0 to 5	.004025	
6 to 10	.004648	(I)
11 to 16	.005207	
17 to 22	.005761	
23 to 30	.006213	
over 30	.006871	(I)

7. **Special Access Service (Cont'd)**

7.5 Rates and Chataea (Cont'd)

7.5.9 **High Capacity** Service

(A) Channel Termination
-Pet point of termination

	USOC	Monthly Rates		Nonrecurring Charaes First	Nonrecurring Charaes Additional
(a) Electrical Interface					
1.544 **Mbps**	**TMECS**	$219.78	**(I)**		
Installation/Change				$667.23	$277.58
Rearrangement				$471.08	$167.91
3.152 **Mbps**	TNT++	ICB			
44.736 **Mbps**	TUTPX	**$3,817.26**	(I)	**$1,800.00**	
44.736 **Mbps** (X3)	TUZPX	**9,908.35**		**2,600.00**	
(b) Optical Interface					
44.736 **Mbps**	TRTPX	**$3,302.73**		**$1,800.00**	
135 **Mbps**	TRZPX	**8,807.30**		**2,600.00**	

(2) **DS3 Rate Stability Payment Plan (RSPP)**

(a) Rate Plan A

The rates shown below are those applicable to participating **DS3** RSPP customers for DS3 services during the period of April 1, 1989 to December 31, 1989

3 Year Plan	USOC	Monthly Rates	Nonrecurring Charaes
- 44.736 **Mbps** - Per point of termination	TUTZX	**$ 3,631.85**	**$ 5,000.00**
- 44.736 Wps (X3) - Per point **of** termination	TUZZX	**$ 9,533.62**	**$ 5,000.00**

9. Directory Assistance Service (Cont'd)

9.6 Rates and Charaee

The rates and charges are:

	Rates
(A) Directory Assistance service call, each	$ .3000
(B) Directory Access Service	
- Directory Access Installation Charge	Charges are the same as those set forth in 6.9.1(B) preceding

- Directory Transport

Call Miles	Rate Per Call	
0 to 5	$ .0033	
6 to 10	.0038	
11 to 16	.0043	(I)
17 to 22	.0047	
23 to 30	.0051	(I)
over 30	.0056	

BELL ATLANTIC TELEPHONE COMPANIES

OTHER POST EMPLOYMENT BENEFITS-SFAS106
EXOGENOUS COST FILING

FCC TARIFF NO. 1, TRANSMITTAL 497

FEBRUARY 28, 1992

TAB INDICATOR SHEET

TAB NO. 1

THIS INDICATOR SHEET MAY BE USED IN PLACE OF YOUR TABS AND TO INDICATE THE SEPARATION OF DIFFERENT SEGMENTS OF YOUR JOB.

SECTION 1

DESCRIPTION AND JUSTIFICATION

SECTION 1

DESCRIPTIDN AND JUSTIFICATION

1.1 INTRODUCTION

On May 2, 1991, the Bell Atlantic Telephone Companies,[1] filed their annual access tariff filing, to be effective July 1, 1991. When Bell Atlantic's rates became effective,[2] in conformity with the Commission's Orders, they did not reflect the incremental costs for Statement of Financial Accounting Standards (SFAS)-106, "Employers Accounting for Postretirement Benefits Other Than Pensions (OPEB). Subsequent to that filing, Bell Atlantic adopted SFAS 106, effective January 1, 1991.[3]

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1. The Bell Atlantic Telephone Companies are the Bell Telephone Company of Pennsylvania, the four Chesapeake and Potomac Telephone Companies, the Diamond State Telephone Company, and New Jersey Bell Telephone Company ("Bell Atlantic").

2. Bell Atlantic's tariff was filed under the authority of Special Permission No. 91-507 and In compliance with the Memorandum Opinion and Order in the Matter of Annual 1991 Access Tariff filings, adopted and released June 21, 1991. An Application for Special Permission (Application No. 134) was filed and granted to correct rates effective July 10, 1991.

3. Bell Atlantic filed a letter stating its intent to adopt the OPeb changes on December 31, 1991. See Letter to Mr. Kenneth D. Moran, Chief, Accounting and Audits Division.

Bell Atlantic hereby submits tariff pages and support data necessary to revise its rates and Price Cap indices to account for its adoption of SFAS 106. These proposed tariffs are to be in effect July 2, 1992 through June 30, 1993.

This filing provides the tariff support for Transmittal No. 497 required by the Commission's Price Cap Order[4] and Sections 61.41 through 61.49 of the Commission's Rules 47 C.F.R. §§61.41-61.49.

Section 1 provides a summary of the filing. Section 2 demonstrates compliance with Commission Requirements. Section 3 describes the methodologies used to calculate adjustments to the Price Cap Index ("PCI"), Actual Price Index ("API") and Service Band Indlces ("SBIs"). This section also demonstrates that the rate revisions in this filing are In compliance with the Commission's Price Cap Plan.

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4. Policy and Rules Concerning Rates for Dominant Carriers, CC Docket 87-313, Report and Order, FCC 90-314, released October 4, 1990 ("Price Cap Order").

Section 4 describes the development of the exogenous cost changes. Section 5 describes the revisions to rates being proposed in this filing to take effect on July 2, 1992. Section 6 contains the Workpapers used in support of the filing.

1.2 DESCRIPTION AND JUSTIFICATION

Subsequent to Bell Atlantic's annual 1991 access tariff filing, the FCC issued an order[5] requiring carriers to adopt SFAS 106 on or before January 1, 1993, using the amortization method of recognizing the transitional cost of changing to this new accounting method.

Under SFAS 106, a postretirement benefit plan is considered a form of deferred compensation arrangement, whereby an employer promises to exchange future benefits for employees' current services. The obligation to provide benefits arises as employees

5. In the Matter of: Southwestern Bell, GTE Service Corporation, Notification of Intent to Adopt Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, AAD Docket 91-80, Order, FCC 91-1582, released December 26, 1991 ("SFAS-106 Order").

render the services necessary to earn the benefits.[6] Prior to 1989, Bell Atlantic utilized a "pay-as-you-go" approach to recognize other postretirement benefits. Under this approach the benefit cost was recognized when paid instead of when the obligation was incurred. Adoption of SFAS 106 requires Bell Atlantic to recognize other postretirement benefit costs when they are actually incurred, so that costs are being assigned to the ratepayers who benefited from the services rendered.

Because the incremental costs resulting from this new accounting standard were not reflected in Bell Atlantic's base period costs or Price Cap Indices, this filing proposes that these additional costs be treated as exogenous within the Price Cap guidelines.

Section 61.44(c) of the Commission's rules identifies exogenous cost changes that the Commission will permit or require for Price Cap purposes. Changes in Generally Accepted Accounting Principles (GAAP) are eligible for exogenous cost treatment provided certain

6. Statement of Financial Accounting Standards No. 106, page 1, para 3.

conditions are met.[7] Specifically, the FCC stated that it would allow carriers to treat changes in GAAP as exogenous if (1) the change is outside the carrier's control, (2) the change is compatible with regulatory accounting needs and is approved,[8] (3) the cost change is not reflected In the GNP-PI (so there is no double counting),[9] and (4) the GAAP change disproportionately affects LECs. This proposal satisfies these requirements, as follows:

1) <u>The accountinq change is outside the control of the LEC.</u> In December 1990, the Financial Accounting Standards Board (FASB) issued SFAS 106. This accounting pronouncement required employers to account for these benefits using a defined accural method. The FASB wanted this accounting change to improve the understandability

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7. <u>In the Matter of Policy and Rules Concernlna Rates for Dominant Carriers</u>, Second Report and Order, Released October 4, 1990, para 168.

8. <u>In the Matter of Policy and Rules Concerning Rates for Dominant Carriers</u>, Report and Order and Second Further Notice of Proposed Rulemaking, Released April 17, 1989, para 654.

9. See Order on Reconsideration, para 63.

and comparability of employers' plans. Another FASB objective was to improve employers' financial reporting for these benefits by including relevant information about obligation and costs. The FASB's mandatory effective date of this standard was for fiscal years beginning after December 15, 1992. However, earlier adoption was encouraged. The FCC has, in fact, required adoption on or before January 1, 1993. Because FASB and the Commission have required Bell Atlantic to adopt SFAS 106, adoption of this accounting change was clearly beyond Bell Atlantic's control.

2) The change is compatible with regulatory accounting needs and is approved. The Commission's SFAS 106 Order, specifically noted that the new accounting and reporting standards did not conflict with the Commission's regulatory objectives. In accordance with Section 32.16(a) of the rules, Bell Atlantic notified the Commission on December 31, 1991 of its intent to adopt SFAS 106 effective January 1, 1991. On January 7, 1992, Bell Atlantic provided the

Commission with the estimated impact of OPEB adoption. The FCC had earlier stated that SFAS 106 would presumably be an exogenous cost for Price Cap purposes, and thus Bell Atlantic's filing is consistent with the earlier holding.10/

3) The impact of implementing SFAS 106 will not be double counted. The United States Telephone Association (USTA) contracted with Godwins, Inc for a study of the extent to which OPEB costs are reflected In the GNP-PI and disproportionately affect the Price Cap LECs. The study (Attachment A hereto) includes a detailed description of the actuarial and macroeconomic analyses used to evaluate the effect of SFAS 106, as well as sensitivity results, informational appendices and conclusions. The study demonstrates that adoption of SFAS 106 will have a very small impact on GNP-PI, which Bell Atlantic has taken into account In Its proposed index adjustments so that no double counting will result.

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10. In the Matter of American Telephone and Telegraph Combany Revisions to Tariff FCC Nos 1. 2. and 13. Memorandum Opinion and Order, released June 27, 1990, para 4.

4) **The adoption of SFAS 106 disproportionately affects Price Cap LECs.** The Godwins Study also demonstrates that the average company In the U.S. will experience less than one-third (28.3%) of the cost burden of SFAS 106 that the average Price Cap LEC will experience. This result is to be expected since all of the Price Cap LECs provide retiree medical benefits to their employees, but almost three quarters (73.2%) of employees work for companies thatdo not provide such benefits and that will therefore not experience any cost increase due to SFAS 106. Because so many employers will experience no cost effects from SFAS 106, this accounting statement has a disproportionate Impact on LECs compared to employers as a whole.

1.3 PROPOSED INDEX ADJUSTMENTS

Bell Atlantic requests exogenous treatment for the costs of SFAS 106 for the period of January 1, 1991 through June 30, 1993. This change affects three separate tariff periods. The first is January 1, 1991 through June 30, 1991, the second is July 1, 1991 through June 30, 1992, and the third is July 2, 1992 through June 30, 1993. Section 4 explains how the exogenous cost amounts were calculated for these three periods and also explains how the Godwins Study results were applied in calculating the exogenous cost amounts.

Bell Atlantic seeks exogenous treatment in each period for the amount not reflected in GNP-PI.

1.4 GODWINS STUDY

USTA contracted with Godwins, Inc to perform an analysis of the impact on SFAS 106 on the GNP-PI. The Godwins Study concluded that the ultimate Increase in GNP-PI caused by the implementation of SFAS 106 will be .0124%.

Attachment A contains of the results of the Godwins Study. The study is presented in two stages:

1. Actuarial Analysis
2. Macroeconomic Analysis

The Actuarial Analysis was performed in two steps. The first step was to construct a composite company that accurately reflected the characteristics and benefit plans of the average Price Cap LEC. Godwins did this by collecting demographic, economic, and benefit program data from each Price Cap LEC. The second step was to determine the impact of SFAS 106 on the composite company developed in step one relative to the impact of SFAS 106 on other employers in the GNP.

The key result of the Actuarial Analysis is that Price Cap LECs will incur a disproportionate share of the cost burden caused by the implementation of SFAS 106. More specifically, Godwins concluded that the average company in the United States will experience only 28.3% of the cost burden of SFAS 106 compared to the average Price Cap LEC.11/

The Macroeconomic Analysis used a macroeconomic model which incorporates production costs for various goods and national demands for these goods. The impact of SFAS 106 was modeled as a direct increase in the cost of labor of employers who offer postretirement health

11. See Attachment A, Godwins Study, Page 9.

benefits, and the solution of the model indicates the ultimate effects on the prices of various goods and on the private sector price index. The model is as a long-run model that fully incorporates the effects of SFAS 106.

The macroeconomic model has three major components:

1. The demand for goods
2. The production functions
3. The supply of labor

There are two key results from the Macroeconomic Analysis. The first result is that GNP-PI will Increase by .0124%, which means that, .7% of the additional costs incurred by price cap LECs will be recovered through GNP-PI. The second key result is that there are other macroeconomic factors, principally an eventual suppression In wage rates relative to what they would have been in the absence of SFAS 106, that will account for recovery of 14.5% of the additional costs incurred by Price Cap LECs from SFAS 106.

The results of the Godwins study demonstrate that the majority of SFAS 106 costs are appropriately classified as exogenous under the Commission's Price Cap rules. The Godwins study used conservative assumptions throughout, so as not to understate the Impact on GNP-PI or overstate the cost impact on the LECs. In applying the findings of the study, Bell Atlantic believes that It has satisfied the Commission's criteria by adjusting for the impact with respect to the wage rate suppression of 14.5%. any reductions in wage growth rates would be endogenous events under the Commission's Price Cap rules. Just as Bell Atlantic could not expect to claim either negotiated wage increases or government mandated minimum wage increases as exogenous costs, it does not seek to claim any SFAS 106 related wage affects as exogenous. Therefore, the additional 14.52 macroeconomic effects are treated entirely endogenous costs.

TAB INDICATOR SHEET

TAB NO. 2

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SECTION 2

COMPLIANCE WITH COMMISSION RULES

SECTION 2

COMPLIANCE WITH COMMISSION RULES

2.1 COMPLIANCE WITH PART 61.49

Any price cap filing that proposes exogenous cost changes must be accompanied by supporting materials sufficient to calculate the required adjustments to each PCI, API, and SBI pursuant to the methodologies in Parts 61.45, 61.46(a), and 61.47(a) and (e), respectively. These materials are found In Section 6, supporting Workpapers.

2.2 COMPLIANCE WITH PART 61.45

PCIs must be updated to reflect any exogenous cost changes made after the annual filing. Bell Atlantic has adjusted its PCIs to reflect the recent SFAS 106 adoption and associated Part 32 changes. Supportlng details showfng Bell Atlantic's compliance with 61.45 are displayed in Sections 3 and 6.

2.3 COMPLIANCE WITH PART 61.46(a)

Part 61.46(a) requires that proposed rates used in calculating the Actual Price Index provide results that are less than or equal to the Price Cap Index. The proposed rates were developed in compliance with Part 61.46(a) of the Commission's Rules. In addition, within each of the baskets, the API is set less than or equal to the PCI.

2.4 COUPLIANCE WITH PART 61.47(a) and (e)

Part 61.47(a) and (e) require that proposed rates used In calculating the Service Band Indices and sub-indices result in SBIs not greater than +/- 5% of the change in PCI. The proposed rates were developed in compliance with Part 61.47(a) of the Commission's Rules. The SBIs filed with this transmittal are within the allowable ranges prescribed in Part 61.47(e).

TAB INDICATOR SHEET

TAB NO. 3

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SECTION 3

INDICES